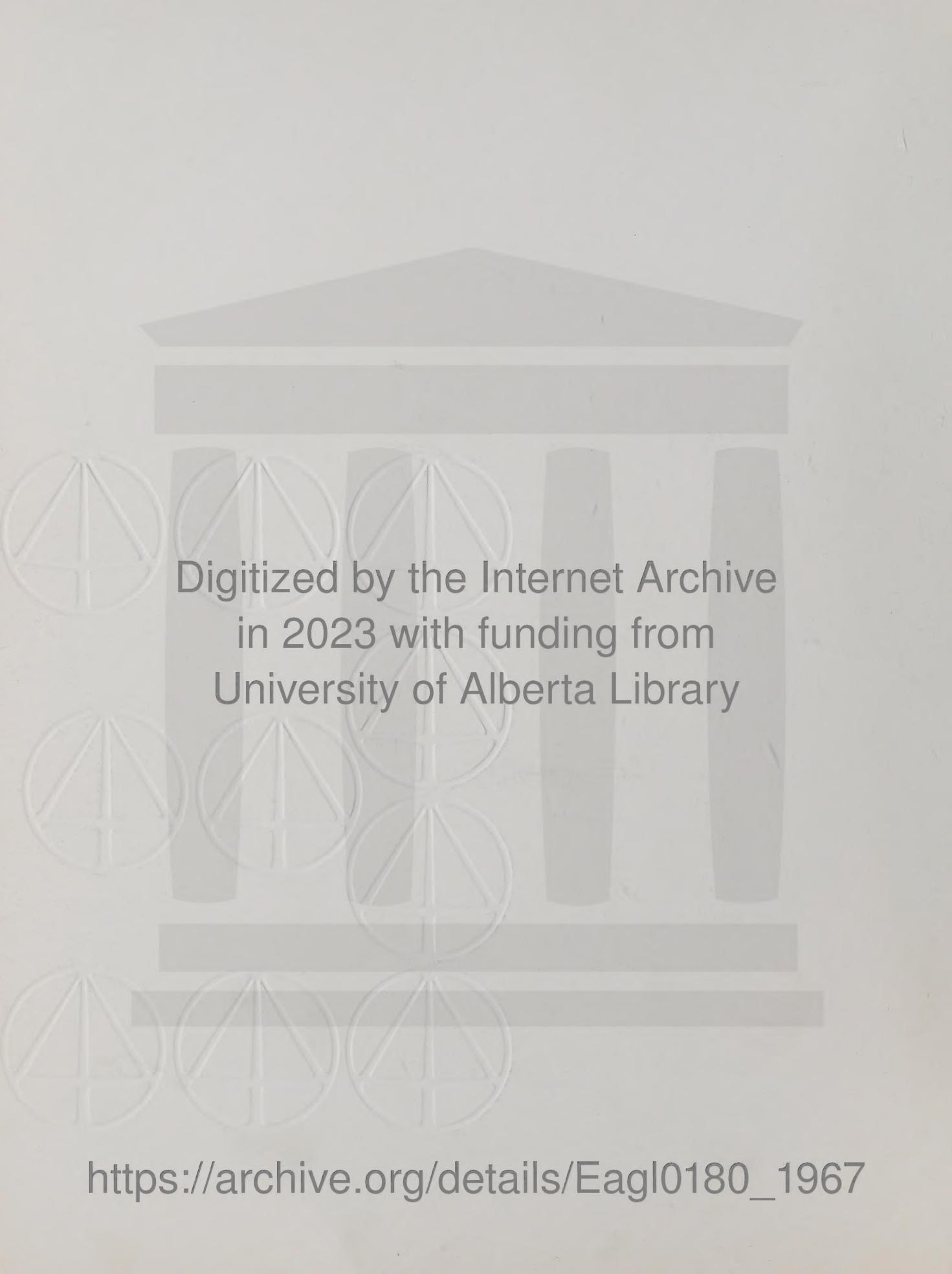


EAGLE GOLD MINES LIMITED



ANNUAL REPORT 1967



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ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DEC., 31 1967



*Diamond drilling from the 1050-foot level station
at Eagle Gold Mines Limited*

Officers	PAUL PENNA, President and Managing Director JEAN GELLER, Secretary-Treasurer
Directors	A. BASEN, Executive, American Louver of Canada Limited JEAN GELLER, Bookkeeper, Jakmin Investments Limited WILLIAM L. HOGARTH, Jr., Executive, Associated Arcadia Nickel Corporation Limited PAUL PENNA, Executive, Jakmin Investments Limited RUPERT F. RIGHTON, Barrister, Shibley, Righton & McCutcheon
Consulting Engineer	WALTER F. BROWN, B.Sc., P.Eng.
Resident Manager	HAROLD V. PYKE, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto and Montreal, Canada
Auditors	*Starkman, Kraft, Rothman, Berger & Grill Chartered Accountants, Toronto, Ontario *As at February 1, 1968
Bankers	Canadian Imperial Bank of Commerce, City Hall Branch, Toronto, Ontario Royal Bank of Canada, Head Office Branch, Toronto, Ontario
Executive and Head Office	Suite 1101, 365 Bay Street, Toronto, Ontario
Mine Office	Joutel, Quebec
Stock Exchange Listing	Canadian Stock Exchange, Montreal, Quebec
Annual Meeting	May 7, 1968 11:00 a.m. (Toronto Time) Library, Royal York Hotel, Toronto, Ontario

EAGLE GOLD MINES LIMITED



DIRECTORS' REPORT

To the Shareholders:

Your Directors present the annual report of the company including the audited financial statements for the year ended December 31, 1967. The report of Mr. Harold V. Pyke, Mine Manager, which provides a comprehensive description of the work accomplished during the year 1967 on the company's gold property in Joutel Township, Quebec, is also included.

The following is a resume of developments at the company's gold property and a review of the presently scheduled program of underground exploration and development.

Shaft Work

Sinking of the three-compartment production size shaft commenced during July of 1967 and at the present time the shaft has progressed to a depth of 1,445 feet below the shaft collar and 9 stations have been excavated at 150-foot intervals commencing at the 150-foot horizon.

The extent of the presently scheduled underground program has been appreciably expanded from the original concept when work was initiated about 15 months ago. Both the size of the shaft and the depth to which it will be sunk has been increased. In addition to the installation of hoisting and other related facilities of increased capacity, the underground program has been expanded to include work on five levels rather than the three initially planned.

It is expected that the current phase of the underground program to complete the sinking

and fully equipping the shaft to a depth of 1,850 feet with stations at 150-foot intervals, lip pockets at each station, ore loading pockets, spill pockets and sumps and pumps for handling mine water, will be accomplished about August 31, 1968.

Exploration and Development

On completion of the foregoing shaft work, the following is scheduled to be carried out during the approximate period between August 31, 1968 and March 31, 1969:

Crosscutting	1,450 feet
Drifting	7,400 feet
Raising	2,225 feet
Diamond drilling	10,500 feet

The lateral work of crosscutting and drifting to explore and develop the indicated ore zone will be done mainly on the following five levels:

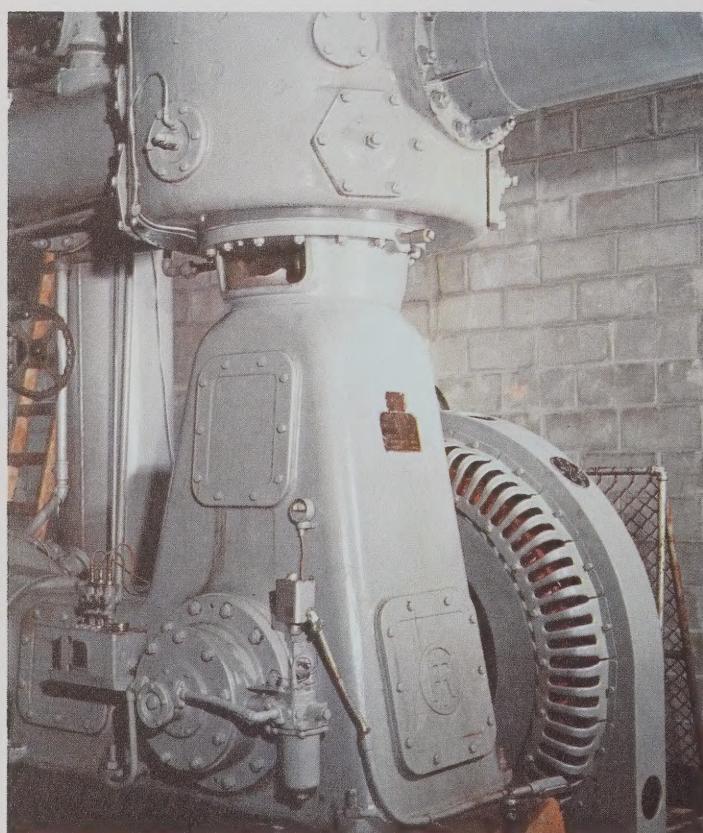
900-foot level
1,050-foot level
1,200-foot level
1,350-foot level
1,500-foot level

Diamond drilling will be done on all five levels to assist in the planning of development work. It is also planned to test the probable extension of the indicated ore zone below the 1,500-foot horizon by diamond drilling. This drilling will be carried out from either the 1,350-foot or 1,500-foot levels after they have been sufficiently opened up to provide a suitable location for this purpose.



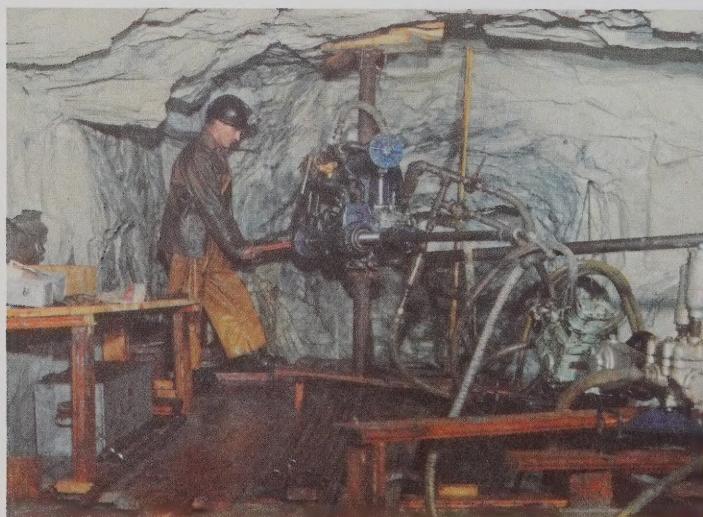
Left: Double drum hoist in service building

Left Centre: 1,500 cfm compressor in service building



Above: Pump installed on the 750-foot level station

Left: Diamond drilling from the 1050-foot level station



Early in the current year diamond drilling comprising three short holes from the 750-foot level station and four holes from the 1,050-foot level station, has been carried out. The purpose of this diamond drilling was to locate more accurately the gold-bearing mineralized zone outlined by surface diamond drilling to aid in planning underground development work.

These diamond drill holes achieved their main purpose, the mineralized zone being intersected close to projections made from surface drilling data. Due to some lost core in the drilling on the 750-foot level, zone widths and assays may not be representative. Assays varied over narrow widths from 0.20 ozs. of gold per ton to 6.7 feet averaging 1.03 ounces of gold per ton.

In the four holes drilled from the 1,050-foot level the following intersections were obtained:

Width in feet	Ozs. Gold per ton
7.2	0.320
7.1	0.413
10.0	0.480
14.1	0.160

Indicated Copper Zone

In the southeast corner of the 995-acre gold property surface diamond drilling indicated a zone of copper-gold mineralization. This zone was intersected by three surface diamond drill holes at various horizons between about 560 feet and 1,200 feet below surface. The results obtained from these three drill holes were as follows:

Drill Hole No.	Depth Below Surface	Intersection Copper/Gold
J-4	560 ft.	4.0 feet averaging 11.55% copper
J-9	720 ft.	32.0 feet averaging 2.65% copper with 4.4 feet alongside of it averaging 0.50 ounces gold per ton
J-5	1,200 ft.	43.6 feet averaging 4.56% copper with 7.8 feet (about 45 feet from copper intersection) averaging 0.53 ounces gold per ton

It is to be noted that this copper-gold zone presents an additional exploration target that will be probed during the present underground program. The copper-gold zone was not a factor in the decision to sink the shaft and explore and develop the main gold-bearing zone.

It is planned that this zone be initially explored on the 1,200-foot level by crosscutting from the shaft a distance of about 200 feet to the main gold zone and then drifting southeast along the gold zone for a distance of approximately 1,100 feet. At this latter juncture the indicated copper-gold zone will be explored by lateral work on the level, as well as by diamond drilling on, above and below the level.

Information regarding the copper-gold zone is pertinent to the planning of the contemplated production mill both in regard to the optimum mining and milling rate and also the type of mill required. If the indicated copper-gold zone proves mineable, an entirely different mill design will be required, incorporating a circuit for the recovery of copper as well as gold.

Drill Indicated Ore Reserves

Surface diamond drilling carried out prior to the decision to sink the shaft and proceed with underground exploration and development comprised a total of 92,058 feet in 105 drill holes. This included the "J" series of 16 holes totalling 15,004 feet confined to the southeast corner of the property resulting in the copper-gold intersections described in the foregoing report ("Indicated Copper Zone"); and the "E" series of 81 holes totalling 74,021 feet to the northwest beyond the "J" series that indicated the gold zone now being investigated by the shaft work and planned underground program.

The gold zone is about 1,000 feet long, with an average true width of 13.1 feet, and appears to plunge to the southeast at approximately 45°. Down to the tested depth of 1,500 feet the surface drill indicated reserves are estimated at 1,600,000 tons of ore averaging 0.41 ounces of gold per ton using a 15% dilution factor. The indicated orebody is open for extension below the 1,500-foot horizon. As noted previously, it

is planned to test the probable extension of the zone below this horizon by diamond drilling from level stations at either the 1,350-foot or 1,500-foot horizons.

Project Cost

The estimated cost for the project presently envisaged (as defined under the heading "Shaft Work") is \$3,190,000. This compares with the earlier planned program which has since been expanded, the estimated cost of which was between \$2,500,000 and \$3,000,000.

During 1967 expenditures on the gold property including access road, buildings, equipment, and development expenses, amounted to \$1,710,302. A contribution of \$60,000 toward the cost of constructing the access road has been received from the Province of Quebec.

As a result of a recent underwriting of treasury shares, bringing to a total of \$3,416,944.80 the company has received from such financing since the beginning of 1967, adequate funds are already available to carry this program to completion.

Summary

While it will not be possible to proceed with plans for a mill until the major portion of the above outlined exploration and development program is completed, the tentative schedule for eventual production would assume a date not earlier than late 1969 or early 1970. This is pertinent in relation to present pressures on the world monetary system that might lead

to higher gold prices. There is considerable opinion in responsible circles that a major increase in world prices for gold will materialize within the next two years or less. Current developments suggest that this eventuality may be even more imminent.

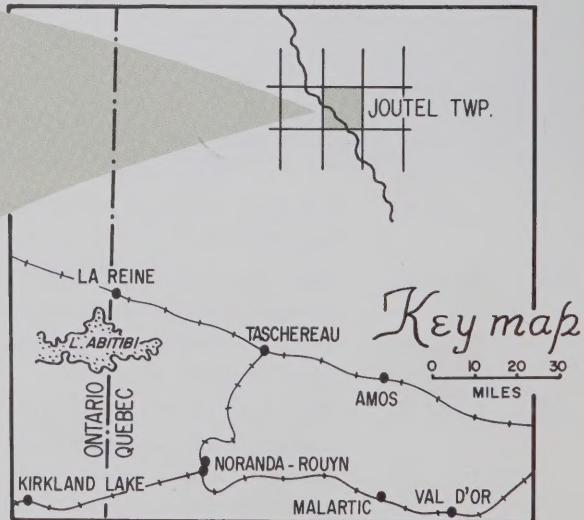
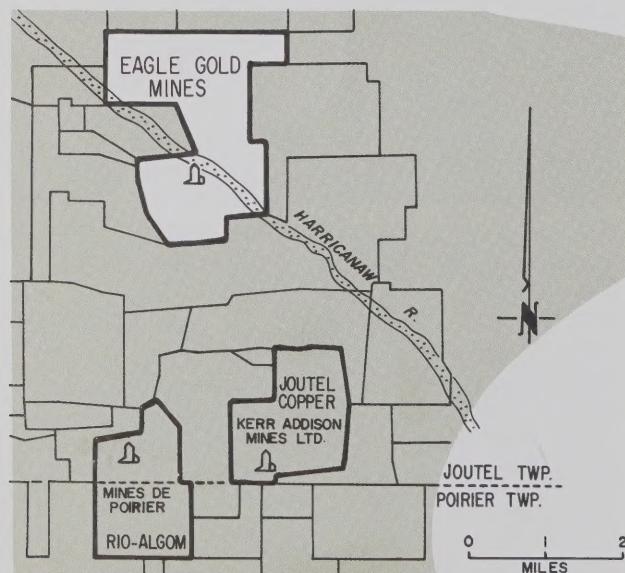
Notwithstanding the foregoing considerations for higher world gold prices, it is indicated that the economics of the operation envisaged for the company's gold mining project would be reasonably profitable on the basis of the existing price of (U.S.) \$35 per ounce. In fact, since the company's gold property in Joutel Township is outside of those gold mining areas presently eligible for the Canadian Government Emergency Gold Mining Assistance (cost-aid) this project was initiated on the assumption of profitability at the (U.S.) \$35 price level.

Your Directors wish to record their appreciation of the loyal and able services rendered by the Mine Manager, Mr. Harold V. Pyke, and Mr. Walter F. Brown, the consulting engineer, as well as the staff and employees of the company. The Board also expresses appreciation for the co-operation and assistance of the Department of Natural Resources, Province of Quebec.

On behalf of the Board of Directors,

"PAUL PENNA",
President and Managing Director.

29 March, 1968.





*Surface installation at
Eagle Gold Mines Limited,
Joutel Township, Quebec*

BALANCE SHEET AS AT DECEMBER 31, 1967

(with comparative figures as at December 31, 1966)

ASSETS

Current Assets

	1967
Cash	\$ 139,054.91
Bank term deposits	400,000.00
Road contribution receivable — Province of Quebec (subsequently received)	60,000.00
Accounts receivable	3,587.09
Supplies — at average cost	22,994.25
	<u>\$ 625,636.25</u>

Fixed Assets — (at cost)

Road	\$ 188,089.58
Buildings	340,095.21
Equipment	411,749.64
	<u>\$ 939,934.43</u>

Mining Claims and Properties

For cash	\$ 14,500.00
For 43,250 shares (Note 1)	10,893.00
	<u>\$ 25,393.00</u>

Deferred — development expenses (per attached statement)

— administrative and general expenses (per attached statement)	\$ 182,353.28
	<u>\$ 1,788,807.12</u>

Advances to Contractor

Other Assets

Investment in shares of mining company (at nominal value)	\$ 1.00
Organization expenses	7,109.60
Deposit with Quebec Hydro	18,300.00
	<u>\$ 25,410.60</u>
	<u>\$ 3,405,181.40</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts payable and accrued charges	\$ 114,004.24
Contractor's holdback payable	15,000.00
	<u>\$ 129,004.24</u>

Shareholders' Equity

Capital Stock (Notes 1 and 2)

Authorized

6,000,000 shares of \$1.00 each

Issued and Fully Paid

On reorganization of capital stock on February 8, 1967 — 3,189,252 shares	\$ 3,189,252.00
Less: Discount	1,282,228.91
	<u>\$ 1,907,023.09</u>

Issued during 1967

For cash	1,820,000 shares	\$ 1,820,000.00
Add: Premium	5,009,252 shares	321,000.00
		<u>\$ 4,048,023.09</u>

Deficit (per attached statement)

(771,845.93)

\$ 3,276,177.16

\$ 3,405,181.40

EAGLE GOLD MINES LIMITED
(Incorporated Under the Laws of the Province of Ontario)



	1966
\$	114,907.57
—	—
10,248.08	
—	—
\$	125,155.65
—	—
—	—
—	—
\$	29,500.00
	10,893.00
\$	40,393.00
\$	898,415.76
	106,460.58
\$	1,004,876.34
\$	5,712.43

\$	1.00
	7,109.60
—	—
\$	7,110.60
\$	1,183,248.02

\$	21,420.36
\$	21,420.36

The accompanying Notes to Financial Statements form an integral part of these statements.

\$	3,189,252.00
	1,282,228.91
\$	1,907,023.09

(745,195.43)
\$ 1,161,827.66
\$ 1,183,248.02

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

PAUL PENNA, Director

JEAN GELLER, Director

To be read in conjunction with the Auditors' Report to the Shareholders attached hereto dated January 26, 1968.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1967

(with comparative figures for the year ended December 31, 1966)

	1967	1966
Working Capital — beginning of year	\$ 103,735.29	\$ 390,248.30
SOURCE OF FUNDS		
Sale of capital stock	\$ 1,820,000.00	\$ 1.00
Premium on sale of capital stock	321,000.00	(41)
Advances — contractors	5,712.43	30,000.00
	\$ 2,146,712.43	\$ 30,000.59
APPLICATION OF FUNDS		
Road, buildings and equipment	\$ 999,934.43	—
Less: Road contribution — Province of Quebec	60,000.00	—
	\$ 939,934.43	—
Development expenses	719,688.58	\$ 254,944.31
Administrative and general expenses	75,892.70	40,856.86
Deposit — Quebec Hydro	18,300.00	—
Acquisition of mining claims	—	15,000.00
Advances to contractor	—	5,712.43
	\$ 1,753,815.71	\$ 316,513.60
Increase (Decrease) in Working Capital	\$ 392,896.72	\$ (286,513.01)
WORKING CAPITAL — END OF YEAR	\$ 496,632.01	\$ 103,735.29

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1967

Note 1: By supplementary letters patent dated February 8, 1967 the company changed its name from Equity Explorations Limited to Eagle Gold Mines Limited and decreased the authorized capital of the company from \$10,000,000.00 to \$6,000,000.00.

- (i) by cancelling pro rata 3,189,252 issued shares with a par value of \$1.00 each and
- (ii) by cancelling 810,748 unissued shares with a par value of \$1.00 each

The authorized and issued capital stock of the company at December 31, 1966 have been adjusted to reflect the capital reorganization as set out above.

Note 2: Pursuant to underwriting agreements dated as of January 24, 1968 the company has agreed to sell 490,748 shares of capital stock at \$2.60 per share (\$1,275,944.80) payable within three days of either the date of acceptance by the Canadian Stock Exchange of notice of such agreement or the date of acceptance for filing of an amendment to the company's prospectus by the regulatory body having jurisdiction over the sale of shares in the Province of Quebec whichever date is last in point of time.

Note 3: The company has entered into a contract for complete sinking of and fully equipping of the company's three compartment shaft to a depth of 1,850 feet with stations at 150 foot intervals, lip pockets at each station, loading pockets, spill pockets and sumps for the main mine pumps. As at December 31, 1967 the shaft was advanced to 828 feet. The company's engineers estimate that the cost of completing the shaft sinking program as outlined above would amount to approximately \$425,000.

Note 4: Total remuneration paid during the year ended December 31, 1967 to directors and senior officers as defined by the Ontario Corporations Act amounted to \$44,048.

EAGLE GOLD MINES LIMITED



STATEMENT OF DEFERRED DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1967

(with comparative figures for the year ended December 31, 1966)

Joutel Township — Group II

	1967	1966
Shaft sinking	\$ 425,293.54	—
Engineers' fees and expenses	75,545.81	—
Wages and salaries	65,262.50	—
Mine supplies and expenses	37,971.21	\$ 35,266.10
Heating and hydro	23,389.40	—
Equipment rental	19,821.77	—
Maintenance	12,927.72	—
Consultant's fees and expenses	12,178.90	34,211.31
Clearing site, excavations	11,266.06	—
Diamond drilling	9,739.69	71,576.41
Travelling expenses	5,322.72	2,713.37
Licences, taxes, insurance	4,546.49	(1,360.07)
Telephone	4,028.47	—
Metallurgical expenses	3,073.80	6,603.50
Geophysical survey	—	6,618.61
Feasibility report	—	8,900.56
Assays and maps	—	412.17
Surface prospecting, trenching and sampling	—	38,813.85
	<u>\$ 710,368.08</u>	<u>\$203,755.81</u>

Joutel Township — Group IV

Diamond drilling	\$ 4,914.50	—
Electromagnetic survey	4,390.00	—
Licences, fees and taxes	—	\$ 2,346.00
	<u>\$ 9,304.50</u>	<u>\$ 2,346.00</u>

McCaul Township

Licences, fees	\$ 16.00	\$ 16.00
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Valrennes and Joutel Townships — Group I

Consultant's fees and expenses	—	\$ 4,036.50
Geophysical survey	—	805.00
Diamond drilling	—	29,555.00
Camp supplies and expenses	—	7,540.00
Surface prospecting, trenching and sampling	—	6,890.00
	<u>—</u>	<u>\$ 48,826.50</u>

Balance Deferred at Beginning of Year

\$ 719,688.58	\$254,944.31
898,415.76	719,415.84

\$ 1,618,104.34 \$974,360.15

Deduct: Expenses on properties abandoned during year
written off to deficit 11,650.50 75,944.39

TOTAL DEFERRED DEVELOPMENT EXPENSES

\$ 1,606,453.84 \$898,415.76

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1967

(with comparative figures for the year ended December 31, 1966)

	1967	1966
Balance — beginning of year	\$745,195.43	\$659,334.23
Add: Mining properties written off	\$ 15,000.00	\$ 8,213.40
Write-off of development expenses on abandoned properties	11,650.50	75,944.39
Write-off of machinery and equipment	—	1,703.41
	\$ 26,650.50	\$ 85,861.20
Balance — end of year	\$771,845.93	\$745,195.43

STATEMENT OF DEFERRED, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1967

(with comparative figures for the year ended December 31, 1966)

	1967	1966
Legal and audit	\$ 33,258.78	\$ 26,799.15
Shareholders' information and meetings	14,833.67	1,583.77
Transfer agent's fees and expenses	6,973.43	2,354.76
Executive officer's salary	6,000.00	2,000.00
Head office services	6,000.00	—
Bank charges and interest	5,721.45	—
Share certificate expense	2,363.76	—
Miscellaneous office expenses	1,999.28	260.77
Directors' fees	950.00	1,125.00
Listing and filing fees	612.68	100.00
Government fees and taxes	40.00	160.00
Accounting and secretarial fees	—	2,750.00
Advertising	—	1,089.56
Finder's fee	—	15,000.00
Less: Interest earned	\$ 78,753.05	\$ 53,223.01
	2,860.35	12,366.15
Balance Deferred at Beginning of Year	\$ 75,892.70	\$ 40,856.86
TOTAL DEFERRED ADMINISTRATIVE AND GENERAL EXPENSES	\$182,353.28	\$106,460.58

MINE MANAGER'S REPORT

Introduction

The report describes briefly the work accomplished at the Eagle Gold Mines Limited property in Joutel Township in the Province of Quebec, for the year 1967.

On February 8, 1967 the name of the Company was changed from Equity Explorations Limited to Eagle Gold Mines Limited. This report makes no further mention of the prior company title and all work done in 1967 has been attributed to Eagle Gold Mines Limited.

Access Road

A 100 foot wide right of way 17,000 feet long was cut and a gravel road was built to connect the Mines de Poirier road to the minesite.

Power and Telephone

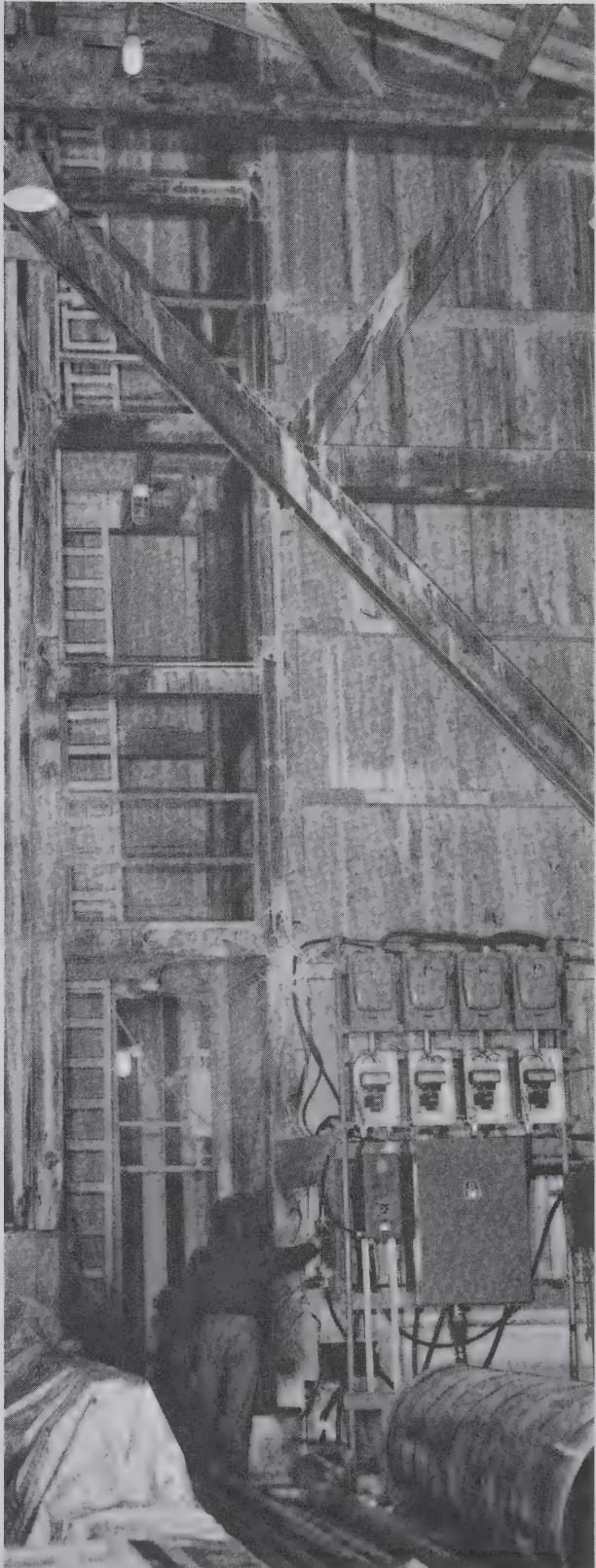
Approximately 17,000 feet of first class hydro line was installed by and is being serviced and operated by Eagle Gold Mines Limited. A telephone line was installed and five telephones are in use at present.

Temporary Office Building

Two small buildings were moved from the old campsite to the minesite, joined together and refinished inside and out to provide minimal temporary quarters for accounting, engineering and the mine manager.

Overburden Drilling

The minesite was cleared and drilled to establish overburden depth in the area of the



Electrical panel in main service building

shaft site. This drilling was done over an area of 420,000 square feet and using this data, sites were chosen for the hoist room, compressor room, headframe and shaft collar.

Shaft Collar

Seven and one-half feet of overburden was removed; the shaft was sunk 38.0 feet in rock; the timber was installed and a concrete collar was poured.

Headframe

A three compartment wooden headframe with 2" T&G sheeting was erected and an outside metal cladding applied. The sheave house supporting saddle is of steel construction. Height of headframe from the top of the shaft

collar to the centre line of the sheaves is 112.0 feet.

Compartments —

2 only 6' 0" x 6' 0" cage and skipway
1 only 6' 0" x 4' 6" manway.

Shaft House

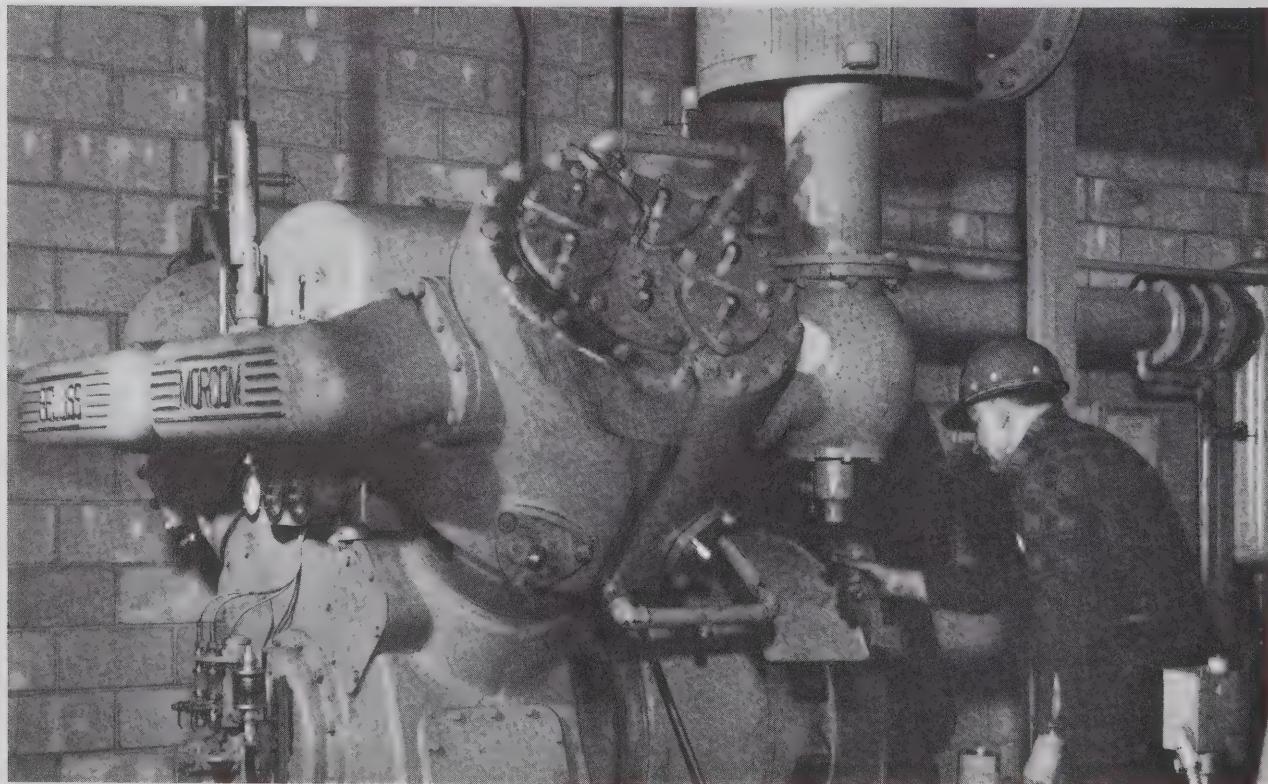
A 55 foot by 55 foot shaft house of the same construction as the headframe has been built.

Bin House

A 32 foot by 42 foot bin house of the same construction as the headframe has been built and two steel bins erected in it:

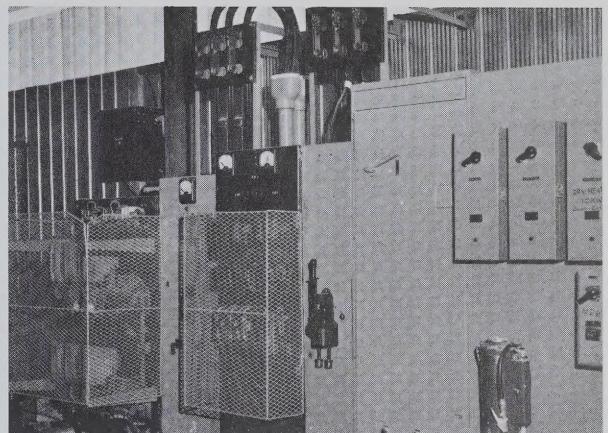
Waste Bin	14' x 21'
Capacity	160 Tons
Ore Bin	21' x 36'
Capacity	620 Tons

1,000 cfm compressor in main service building





Diamond drilling crew at 1050-foot level station



Electrical switchgear in main service building

Electrical Substation

The electrical substation was completed and Quebec Hydro energized the power line early in the month of June, 1967.

Service Building

This is a steel building 30' x 150' divided into six bays each 25' x 30'. It is metal clad inside and out with fibreglass insulation (2") in between. It has concrete floors throughout.

A description of the various bays and the equipment installed in them is as follows:

- 1 — One 8-foot diameter, double drum hoist powered by two 350 H.P., 60 cycle, 3 phase 550 volt motors.
- 2 — One only 1,000 cfm compressor complete with aftercooler, receiver and 200 H.P. motor.
- 3 — One only 1,500 cfm compressor with receiver and 300 H.P. motor. An aftercooler is on order.
- 4 — This bay houses a small mine dry equipped with a Bradley Wash Basin, showers, toilets, lockers and hangers. A lower storey under this bay houses the heating boiler.
- 5 — One only bay for electrical panels.
- 6 — One only bay for stores.

Pumping Installation

This installation consists of a 10' x 10' insulated wood frame building housing two pumps

each with a capacity of 60 U.S.G.P.M. at 166' head. The pumps are each powered by 7½ H.P. motors.

A 24-inch suction line projects sixty feet into the river and is protected on the upstream side by an earth levee.

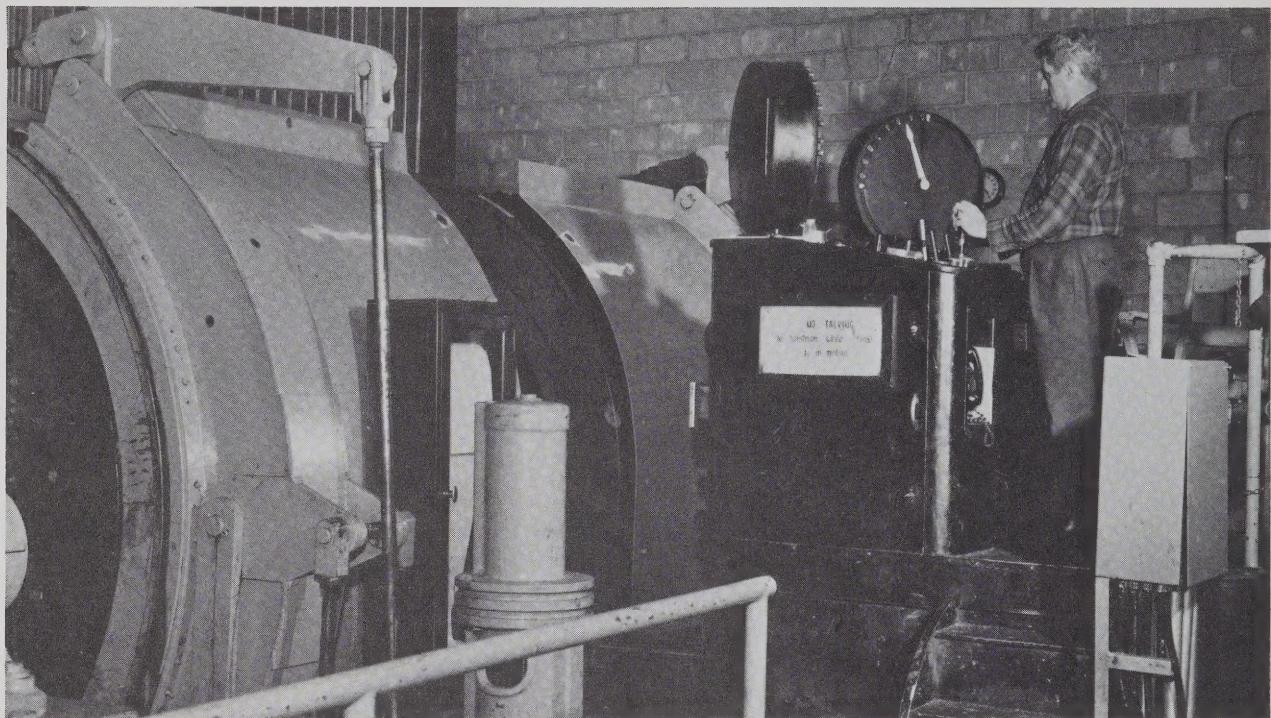
Pipe boxes from the pumphouse to the service building and shafthouse contain two four-inch water supply lines. All pipelines are insulated with wood shavings.

Tailings Disposal

A right of way twenty feet wide and 2,100 feet long has been cleared to the nearest part of a future tailings disposal area. A circle 4,000 feet in circumference has been cleared to receive rock to form the base of the dam walls. Waste rock from shaft sinking and development work will be used in this work.

Manager's Residence

One lot was purchased in the Townsite of Joutel and a two storey, seven room house with attached garage was erected for the Mine Manager.



Double drum hoist, motors and control station

An option has been taken on 16 other lots in the same block as the Manager's residence for future housing construction.

Trailer

One only trailer 12' x 56' complete with 110-220 volt electric service and basic furnishings was purchased and at present is the home of the Chief Engineer and his family in Joutel Townsite.

Shaft

Three vertical diamond drill holes were drilled on the shaft site for a total of 1,400 feet to test the rock structure and water conditions.

The 3-compartment shaft is being sunk to a depth of approximately 1,850 feet with stations at 150 foot intervals.

The shaft advance to December 31, 1967 is as follows:

Depth of shaft	828 feet
Number of stations excavated	5
Cubic feet of station excavated ..	52,118 cu. ft.
Number of lip pockets	5

Metallurgical Testing

Metallurgical test work conducted by independent laboratories was begun in 1966 and continued through 1967. The most recent work has indicated that an economical recovery of 90 to 91% of the gold can be effected by, fine grinding, pre-aeration with lime and cyanidation.

This metallurgical testing will be resumed when ore grade material from underground development becomes available.

Harry V. Pyke,
Mine Manager.

February 16, 1968

